"Made in China": The Growth of Chinese Trade

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Abstract:

This paper traces the growth of Chinese exports in the post-Mao era, and the implications for policy making within China. The first part of the paper provides a statistical overview of the growth in Chinese trade since 1978, and suggests that this growth was achieved through a combination of two key factors. First, by the retention of a relatively closed economic system, which protected Chinese producers from international competition and promoted and supported export industries. Second, through the attraction of export oriented foreign direct investment into China, particularly after 1993.

While export-led growth has made a significant contribution to job creation in China, it has also complicated ongoing debates over the political wisdom and viability of further economic liberalisation. For example, external pressures to liberalise, particularly from the United States, have increased as China's trade surplus with the US has grown. Although many within the Chinese decision making elites resist this external pressure, concerns over structural problems within the domestic Chinese economy have led to key Chinese leaders, most notably Premier Zhu Rongji, accepting and promoting the liberalisation agenda. Declining export growth in the wake of the financial crises in East Asia has reinvigorated the debate over liberalisation, and also raised questions over the maintenance of social stability in urban China as the reform process continues.

Keywords: China; international trade; Asian financial crises; liberalisation.

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When China embarked on a process of economic reform in 1978, it was rare to find Chinese-made goods on sale in the West. China was not a major trading nation, and what it did trade was primarily with other developing nations. Furthermore, what trade it did conduct with the developed world was overwhelmingly in primary produce. Twenty years later, Chinese trade had increased by almost 500 per cent, the developed world now dominated Chinese trade, and manufactured goods accounted for almost 90 per cent of China’s exports to OECD countries. The “Made in China” stamp is now common throughout the world. Indeed, in some sectors, Chinese goods now dominate - in Britain, at least, it hard to find toys that aren’t made in China.

While these goods are produced in China, the extent to which they are really Chinese goods is open to question. The large growth in Chinese trade has been in part achieved by the expansion of foreign companies that locate their operations in China with a view to exporting finished goods to the West. As these exports often contain components produced outside China, bilateral trade statistics may not be the best way of determining the nationality of a product. But the role of external actors only tells half of the story. Encouraged by the success (before the financial crises of 1997 at least) of the export led growth strategies of other Asian states, the Chinese government has actively promoted and supported its own export industries. At the same time, they have protected domestic producers from the vagaries of participation in the global economy. As this paper will demonstrate, when viewed in combination, these two factors go a long way to explaining both the growth of Chinese trade in the recent era, and the significance of this growth for the West.

The Growth of Chinese Trade - The Historical Context

During the Maoist era, China was not a significant player in the global economy. Indeed, as far as the West was concerned, China was essentially a “closed” economy. This was partly a result of diplomatic initiatives in the West. The new People’s Republic established in 1949 was considered to be a hostile state dedicated to the overthrow of global capitalism. China’s participation in the Korean War seemed to confirm this belief, and resulted in a US led trade embargo on China alongside diplomatic isolation that saw Taiwan take the Chinese seat on the United Nations. As such, China's trade opportunities were strictly limited to the socialist world.

But China's relative isolation was also a consequence of domestic political choice. While some Chinese communist leaders like Chen Yun advocated limited trade with the West to aid Chinese development, Mao Zedong was, to say the least, extremely sceptical. Indeed, Mao was sceptical of interaction with even the socialist bloc, emphasising instead self-reliance wherever possible.

Initially, at least, China was forced to "lean towards the Soviet Union" and the socialist bloc for help in rebuilding an economy that had been ravaged by war and ineffective government for the best part of a century. China required the wherewithal to build a new industrial base, and notwithstanding Mao's concerns, trading with the Soviet Union and the socialist bloc provided the quickest means of reconstruction. This included the construction of hundreds of factories in China built by Soviet specialists with Soviet equipment and technology. When combined with barter trade where the Chinese primarily swapped primary produce for industrial goods, the socialist bloc accounted for around two-thirds of all Chinese trade in the 1950s. However, it is notable that while China sent observers to COMECON meetings, it never joined the organisation, and resisted becoming part of the socialist division of labour that Chinese leaders perceived was created primarily to aid the development of the Soviet Union.

When the uneasy Sino-Soviet alliance evolved into out-right hostility in the 1960s, China's international isolation became even more pronounced. Initially, the decline in economic relations with the socialist bloc was accompanied by a dramatic increase in trade with the West. When the Great Leap Forward collapsed in 1959, China did expand its contacts with the west in an attempt to alleviate the mass famine that claimed the lives of around 40 million Chinese between 1959 and 1961. In searching for food and fertiliser imports, China turned mainly to Japan and the West, which accounted for around 59 per cent of Chinese trade in the first half of the 1960s. But this limited integration came to an abrupt halt with the onset of the Cultural Revolution.

As Mao re-asserted his radical vision over the more moderate approach of Chen Yun, Liu Shaoqi and Deng Xiaoping, the communist propaganda machinery renewed its onslaught on the international economic system and the evils of global capitalism. Furthermore, as the country collapsed into turmoil and virtual civil war, the institutions of international trade essentially ceased functioning. Mao's emphasis on self-reliance was intensified, and even internal transfers between provinces reduced as Mao and the radical left encouraged each locality to become as self-sufficient as possible.

While the virulent anti-capitalist ideology of the Cultural Revolution suggested increased international isolation, the security concerns that dominated Chinese foreign policy during the Mao era pulled China in another direction. The break with the Soviet Union meant that China was opposed by both superpowers in the late 1960s, and raised very real fears of invasion by one or even both of the superpowers in the Chinese leadership. In a classic example of "my enemy's enemy is my friend", China's move away from the socialist bloc laid the foundations for warmer relations with the non-communist world, notwithstanding the logic of domestic ideology. Thus, in the 1970s, China began a moderate process of re-engagement with the West, taking the China seat on the United Nations from Taiwan in 1971, and normalising diplomatic relations with Japan the following year. These diplomatic initiatives were accompanied by a significant increase in trade (particularly with Japan), and warmer relations with Japan, the US and Western Europe led to a near doubling of trade with the non-communist world between 1970 and 1974.

Nevertheless, while trade increased, trade volumes remained relatively low. Total Chinese trade was a meagre US$4.8 billion in 1971, and even after an almost five-fold expansion in trade, still only totalled US$20.6 billion in 1978. But 1978 marked a watershed in Chinese economic policy. The initial moderate reforms initiated in 1978 gave only a strictly limited role for international economic interaction, and China's re-integration into the global economy was initially a slow and gradual affair. After years of portraying the capitalist world as an evil force that could destroy Chinese communism, the Dengist leadership faced a difficult task in explaining how interaction with the global capitalist world could actually benefit China. Indeed, many in the Chinese communist leadership itself remained highly suspicious of the wisdom of the new open policy. If anything, the biggest challenge for reformers in the leadership was not persuading the Chinese people, but persuading (or perhaps more correctly, defeating) sceptical colleagues within the party-state leadership itself[1].

Chinese Trade in the Modern Era

Whilst rather modest compared with later changes, the adoption of a more open policy towards the global economy in 1978 marked a fundamental ideological shift that was a pre-requisite for all that was to follow. And even remembering that Chinese trade has grown from a very low starting point, the growth in Chinese trade since 1978 has been spectacular. As the Director General of the WTO, Renato Ruggiero, put it in a speech at Beijing University in April 1997:

> “There is a simple reality which lies at the heart of our current negotiations and the real challenges of adjustment we all face: the reality that China is already a leading power in an even more interdependent global economy…. This reality is emphasised by the sheer force of China’s rise in the world. During the last decade, output has been expanding by an average of 10 per cent a year, while merchandising export volume has been growing even faster, at about 15 per cent. In two decades the value of China’s merchandise exports has expanded more than twenty-fold.” (Ruggiero, 1997)

Table One shows the growth in trade since the start of the reform period, while Table Two shows percentage growth rates over the years. However, before assessing these figures, it is important to add a word of caution over the use of Chinese statistics. The statistics provided below have their origins in a common source, the PRC General Administration of Customs. If anything, these figures understate the growth of exports (and therefore total trade and China’s

[1] For details of these intra-elite conflicts, see Breslin (1992) and Bachman (1988).

trade surplus) because of the difference between Chinese and Western methods of calculating exports. While Chinese officials calculate the value of exports as they leave China's shores (FOB calculations), the US and most other states calculate the value of those goods as they arrive in their country (FAB calculations), which includes transportation, insurance, and other ancillary costs[2].

As Table Three shows, the difference between these two methods of calculation can be enormous. For example, US Statistics indicated that China's bilateral trade surplus was growing by around a billion dollars a week during 1998, while Chinese statistics for the same trade showed a monthly increase of US$396 million a week (China News Digest, 30/9/98).

These discrepancies are not just a matter of statistical interest. As we shall see below, as Chinese exports have boomed, so trade friction has increased between China and the US in particular, and the West in general. And the size and importance (or otherwise) of China's trade surplus with the West varies depending on which figures you use. Thus, the Chinese authorities are accused by the West of deliberately deflating the importance of Chinese trade, while the Chinese accuse the West of unfairly exaggerating the significance of Chinese exports. Or as the Minister of Foreign Economics and Trade (now Cooperation), Li Lanqing, put it when Western governments questioned Chinese trade figures in 1992:

> "We are of the view that these trade imbalances [are] caused mainly by *unreasonable* methods of keeping international trade statistics" [emphasis added] (Chen Qiuping, 1993)

We also need to be wary of accepting Chinese figures to calculate China's trade dependency, or the ratio of trade to GNP. Official Chinese GNP figures are widely considered to deflate the real size of the Chinese economy, in part at least due to the work-place provision of welfare in urban China[3]. As housing, education, health and food costs in the state sector are

2 Imports are commonly calculated using CIF calculations. The discrepancies are also partly a result of the problem of calculating trans-shipments through Hong Kong.

3 In addition, the practice of faking deficits and deflating profits to avoid paying taxes is commonplace in Chinese enterprises - often with the collusion of local authorities. Some surveys suggesting that as many as 80 per cent of enterprises under-report their real financial health.

heavily subsidised by the work unit (the *danwei*), there is considerable disguised income that is not reflected in GNP calculations. Thus, the World Bank notes that while Chinese trade to GNP ratios typically averages out at around 36 per cent, the figure would only be 10 per cent if the "true" size of the Chinese economy is calculated using Purchasing Power Parity (PPP) (World Bank, 1997, p.6). However, calculating PPP is an inherently difficult process - the fact that China is a non-market economy makes it necessary to use PPP calculations, but also makes it very difficult to make those calculations. The true size of the Chinese economy lies somewhere between Chinese and PPP calculations, but we can suggest with some confidence that trade is a less important element of the Chinese economy than initial figures seem to suggest.

While long term growth rates are clearly significant in themselves, the increase in Chinese exports between 1993 and 1995 warrants particular attention here. Exports increased by 60 per cent in two years (53 per cent in real terms), and doubled between 1993 and 1997[4]. In the process, a US$12.2 billion trade deficit in 1993 was transformed into a US$5.4 billion surplus the following year, rising to US$40.3 billion in 1997. Considering the deflationary impact of Chinese export statistics, the increase in exports and the transition from trade deficit to surplus may be even more dramatic than even these figures suggest.

There are two main explanations for these changes. The first is the massive influx of Foreign Direct Investment (FDI) into China in 1993, an issue we will return to below. Second, and more important, was the "restructuring" of China's foreign exchange rate system in 1994. The Chinese currency, the Yuan or renminbi (RMB), is not fully convertible on international markets, and exchange rates remain under central government management and control. However, in the early 1990s, a market rate of sorts appeared as the government relaxed regulations on currency exchanges. To facilitate increased international economic contacts, a number of "swap shops" were established[5] where individuals could trade "swap" the Yuan for foreign currency[6]. Although the official exchange rate at the time was RMB5.7 to the

[4] Adjusting for inflation using 1996 prices, a 53 per cent increase from 1993-95, and

[5] And others emerged outside the official structure.

[6] The situation was also complicated by the existence of Foreign Exchange Certificates. When foreigners in China changed currency, they were given FECs rather than normal Chinese Yuan. As these FECs

dollar, the swap shop rate was influenced by supply and demand, and was closer to RMB9 to the dollar.

Faced with this disparity, and a record trade deficit in 1993, the government "unified" the two rates in 1994. This essentially entailed moving to the swap shop rate, with the new exchange rate of RMB8.7 to the dollar apparently representing a 50 per cent devaluation. In reality, most companies did not obtain all of their foreign currency at the managed exchange rate, and were already using the market rate for a proportion of their foreign exchange dealings. As such, the headline 50 per cent devaluation was probably nearer 20-30 per cent for most exporters. Nevertheless, this move increased relative competitiveness of Chinese exports - notably relative to the cost of exports from other states in South East Asia following export lead growth strategies. Whilst difficult to quantify, this strategic devaluation at least contributed to the financial crises that beset South East Asia in 1997 - crises which in some respects resulted in belated and drastic currency realignment in response to China's 1994 reforms.

China's Major Trade Partners and the Changing Distribution of Trade

The growth in Chinese trade has not been evenly spread across all countries and regions. Table Four shows the growth in trade with China's major partners from the start of the reform process in 1978 to 1996, while Table Five shows the changing distribution of trade with those partners over the same period.

These direction of trade statistics are somewhat skewed by special role of Hong Kong in Chinese trade. Prior to the start of the reform process in 1978, Hong Kong provided China's main link with the global economy, acting as a transit point for exports and imports with the capitalist world. Despite growing bilateral economic relations with other countries, China's special relationship with Hong Kong has remained intact, with trade between China and Hong Kong now the world's third biggest bilateral trade relationship (behind US-Canada and

could be used to purchase imported goods that were not available using renminbi, they acted as quasi-

US-Japan trade) (Dale, 1997, p.76). Indeed, the percentage of Chinese exports to Hong Kong which are subsequently re-exported to other destinations has increased from around a 30 per cent in 1979 to over 85 per cent in 1994 (Cheung, 1997, p.105).

The importance of the re-export trade in China-Hong Kong relations is partly a consequence of political and diplomatic disputes between China and Taiwan, and to a lesser extent between China and South Korea. In the Korean case, the normalisation of relations between Beijing and Seoul in 1992 facilitated greater bilateral relations, with South Korea becoming the fourth biggest source of Chinese imports in 1996. Bilateral trade between China and Taiwan has also increased after the easing of regulations in Taiwan on relations with the mainland in 1987, and only Japan exports more to China than Taiwan. Nevertheless, a considerable proportion of China-Taiwan trade still passes through Hong Kong[7], and the situation is unlikely to change while the international status of Taiwan remains unresolved.

Re-Exports and the Processing Trade

The proportion of re-exports in Hong Kong's trade with China is primarily a consequence of the growth of foreign economic actors in the Chinese economy. The relationship between increased FDI flows and trade can be divided into two main sub-groups. The first is the increase in trade from those companies who primarily invest in China to access the huge potential domestic market. In establishing operations in China, the investors often bring with them equipment for their new factories. Indeed, the desire to encourage such technology imports was one of the main reasons that the Chinese authorities encouraged such investment in the first place, and investors have been granted tax exemptions on high-tech imports that the Chinese authorities feel will strengthen the technological base of the Chinese economy[8].

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foreign currency, and a wide-scale black market in RMB-FEC transfers emerged.

7 Ash and Kueh (1995 p.66) calculate that in 1992, 49 per cent of shipments from Taiwan to Hong Kong ended up in the PRC. Conversely, 29.5 per cent of PRC exports to Hong Kong eventually found their way to Taiwan.

8 When these tax exemptions were removed in 1996, contracted FDI to China fell off so dramatically that the government made a u-turn and restored the exemptions in 1998.

In addition to technology imports, this type of market-based investment has also generated increased exports from China. By restricting licenses to produce in China, the Chinese authorities have a firm bargaining position with potential investors. They have control over something that the investors want (ie: access to the Chinese market) and can play off rival bidders against each other. Perhaps the best example of this process is the way in which the Chinese authorities restricted access to the potentially enormous Chinese automobile market, and then gained huge concessions from General Motors by continually keeping counter offers from Ford on the table.

Thus, many investors have been forced to sign agreements to export a proportion of whatever they produce in China. While the proportion of exports is typically less than half of total production, it can be much higher - Sony, for example, signed an agreement to export 70 per cent of their production in China. As a result, China earns foreign currency, and the “Made in China” hall-mark becomes associated with high quality goods and respected brand names.

Whilst market-based investment has increased China’s foreign trade profile - both in terms of the volume and quality of traded goods - the implications of the growth of “export-based investment” has been even more significant. China re-entered the global economy at a time when the profitability of production sites in other parts of Asia were declining. Development and growth in South Korea and Taiwan had resulted in a steep increase in land and labour costs, and the appreciation of the Korean Won and New Taiwanese Dollar increased the price of exports to the lucrative North American and West European markets.

For those investors seeking to re-locate factories to cheaper production sites, China was an increasingly attractive option. Not only did it possess abundant and cheap green-field sites for new factories and a cheap and disciplined work-force, but local authorities from across China began to compete with each other to attract investors by offering various start-up incentives.

While the Chinese authorities had been actively encouraging FDI since the 1980s, the real watershed came in 1993 when more FDI was contracted than in the entire preceding 14 years.

Perhaps as much as 80 per cent of this and subsequent investment came from the rest of Asia. It is difficult to give exact figures for sources of investment for two main reasons. First, Chinese researchers argue that significant investment from Hong Kong is actually Chinese investment, in that domestic investors establish a trading company in Hong Kong to reinvest into the mainland to take advantage of lucrative incentives provided for FDI in certain areas and economic sectors. Second, just as bilateral trade with Hong Kong contains a significant element of third country trade through re-exporting, so significant investment from Hong Kong and more recently from Taiwan originates in third countries that use sub-contractors in Asia to invest in China. For example, the largest shoe factory in the world is the Yu Yuan joint venture between Taiwan and the local government in Guangdong, which produces sports-shoes under contract to the major international brands (Nike, Reebok, Adidas etc) for re-export to external markets (Chan, 1996). FDI figures show a Taiwanese investment in China, the shoes carry the “Made in China” imprint, yet the “Nike” brand name remains identified with the United States.

Irrespective of the original source of these investments (and discarding “recycled” Chinese investment), the development of China as an off-shore production site has had a profound impact on both the growth and structure of Chinese trade. While the Chinese authorities may have hoped that FDI would help reinvigorate the domestic Chinese economy by using domestically produced components, investors have frequently complained about the poor quality and unreliability of Chinese supplies[9]. Thus, the majority of these investors choose to import key components from existing plants overseas, with the Chinese sites typically only concentrating on labour intensive component assembly.

Thus, export-based investment in China has resulted in a significant growth of both imports (in the form of components) and exports (of finished goods). From being an almost insignificant element of Chinese trade in the 1980s, it accounted for around half of all trade in 1997[10]. This transition is reflected in the structure of Chinese trade. The majority of investors

9 Note that Epson labels its electrical products as "Made in China with Japanese components" to encourage consumer confidence in product reliability.

10 And while this figure is significant in itself, the processing trade is even more important in those parts of China that have been the major recipients of FDI. In Guangdong, for example, which has received

source their components from other production sites in Asia, and sell their finished goods in the developed markets of the West. This has contributed to the situation where China now runs massive trade surplus with the primary destination for processed exports, the United States, and trade deficits with those Asian states that are the source of component imports (notably South Korea and Taiwan).

The two exceptions here are Japan and Hong Kong. There is evidence to suggest that Japanese companies are increasingly optimistic about the development of China as a major market for Chinese goods[11]. However, the FDI-trade linkage remains a crucial determinant of Sino-Japanese trade. If Hong Kong subsidiaries of companies from other third states are taken out of the equation, then Japan is the biggest source of FDI in China. Note that imports from Japan increased by 70 per cent in 1993 (66 per cent in real terms) - the year that FDI into China also boomed. In addition, Japanese companies often prefer to invest in China through subsidiaries in other East Asian states[12], while many independently owned Korean, Taiwanese and Hong Kong investors use high tech Japanese components in their Chinese operations. Although simple bilateral trade figures understate the importance of Japanese goods in the development of China's processing trade.

As the most developed state in Asia, Japan is not only the major source of outward investment, but also the most lucrative market for finished goods in the region. Thus, over a quarter of Japanese imports are goods produced by Japanese plants overseas (Katzenstein, 1996). As such, much of Japan's trade with China is effectively inter-company trade between different branches of Japanese multinational corporations, or "reverse" imports of goods made by other Asian investors in China containing Japanese components.

The trade surplus with Hong Kong is explained by the subsequent re-export of goods to the West. For example, the proportion of Chinese exports to Hong Kong that are re-exported to

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more than a third of all FDI into China since 1978, the processing trade accounts for more than two-thirds of all provincial exports.

11 See Taylor (1993).

12 See Bernard and Ravenhill (1995).

the US increased from 4.86 per cent in 1979 to 41.6 per cent in 1994. In addition, just over half of all Hong Kong exports to China in 1994 were goods of US origin (Kueh, 1997).

The processing trade raises questions over the how we classify the "nationality" of exports, and there are two ways of interpreting this data. On one hand, we might suggest that almost half of Hong Kong China trade is disguised US-China trade. On the other hand, we might suggest that if components are simply being assembled in China, are the resulting goods really Chinese? For example, Lardy's (1994) analysis of this "processing" trade found that the value of imported components constitutes as much as 90 per cent of the value of processed exports[13]. As such, the Chinese researcher, Jin Bei (1997), argues that these exports do not part of "the national economy" and do not represent the actualisation of Chinese productive forces. China contributes (and gains) so little from the processing trade, that these exports should not be considered to be Chinese goods, but rather "para-domestically manufactured goods".

"Domestic" Chinese Exports and Protectionism

Jin Bei's assertion that processed exports should not count as Chinese goods is not just a matter of semantics. Rather, it forms part of China's defence against critical responses to the growth of Chinese exports. The most vociferous criticisms have come from the United States, where domestic toy and textile producers have found their market share shrinking in the face of competition from cheaper Chinese goods. By questioning the nationality of processed exports, Chinese researchers and officials are essentially trying to deflect these criticisms by arguing that the real origin of Chinese exports lies elsewhere.

13 This may partly be explained by transfer pricing. Despite considerable liberalisation in China, many foreign companies still face problems in repatriating profits due to incomplete currency convertibility and the imposition of myriad *ad hoc* charges on the profits of foreign funded enterprises. Furthermore, those foreign interests operating Joint Ventures with Chinese companies or local authorities have to share a proportion of any profits with their Chinese partners. As such, it would be rational for foreign companies operating in China to locate as much of their profits as possible in operations outside China by overcharging factories in China for imported components supplied by factories in other countries.

Such arguments are unlikely to have much influence – not least because of the significant protection and support that the state provides for its own “domestic” exporters. In addition to the competitive currency devaluation of 1994 noted above, national and local authorities have introduced a number of measures to support exporters, particularly in the state owned sector. For example, they have eased access to investment capital by providing loans through the creation of specialist banks, and provided a number of tax exemptions and other incentives for exporters.

Furthermore, the lack of full price reform in China also acts as a hidden state subsidy for those Chinese producers in the state sector, and even private enterprises that retain close and warm links with the state administration. The price of land, labour, and key industrial inputs such as energy and steel are not solely or in some cases primarily set by market forces. While market forces are an increasingly important force in the Chinese economy, the state retains the authority to set prices and allocate resources of key productive forces. As these state set prices are much lower than the prevailing market price, the retention of state control entails a hidden subsidy to favoured producers.

This state support for exporters is accompanied by significant protection for domestic producers from the impact of participating in the global economy. Access to the Chinese market remains restricted. China operates a system of mandatory import plans, and restricts licenses for imports of key commodities. The biggest restrictions here are on iron and steel, textile yarns and machinery - the critical sectors where inefficient domestic producers in the state sector are most vulnerable to international competition, and the sectors where exports from the state sector are strongest.

Chinese import tariffs remain among the highest in the world. Average tariff rates have been falling in response to international pressure. From a high point of 43 percent in 1992, they have been progressively lowered to around 17 per cent, with a promise for further reductions to 15 per cent by the year 2000. However, foreign exporters argue that the real tariff rate is nearer 40 per cent, as value added tax is always added to imports, while domestic producers are typically granted exemptions by local authorities.

Those foreign companies that try and gain access to the Chinese market by locating their operations in China also face discrimination, and find themselves subject to different charges and rules of the game than domestic producers in the same sector. For example, while Chinese producers, particularly in the state sector, will benefit from cheaper state set prices for key inputs, foreign companies usually have to pay the higher market rate for the same commodities. Chinese enterprises are also supported through massive subsidies, which often take the form of “loans” from government or the banking system that will never be repaid. For example, the World Bank calculates that such non-performing loans account for 20 per cent of the assets of Chinese banks (Harding, 1997), and the Chinese State Statistical Bureau announced that unpaid loans to various levels of government accounted for 10 per cent of Chinese GNP in 1995 (China News Digest, 15/12/96). Furthermore, incomplete currency convertibility restricts access to foreign currency to either the chosen few, or those operating within the designated production zones - it also means that converting and repatriating profits is difficult if not impossible.

Finally, there are two other issues that have brought international criticism of China’s trade regime. The first is the wide scale infringement of intellectual and property rights in China, where the production of counterfeit and fake products is commonplace. The second is the lack of transparency in China’s policy making process. The state news-agency, Xinhua, has an official monopoly in the dissemination of economic information, and ensures that this information serves the interests of the Chinese state, rather than the interests of the international community.

The international community has attempted to pressure China to liberalise its trade regime in a number of ways. The EU, for example, has refused to classify China as a “Market Economy”. As a result, the EU estimates the fair price for Chinese exports by comparing them with the price of goods from the most comparable market economy - in this case, India. If the cost of Chinese goods is found to be unfairly low, then the exports are subject to the imposition of extra import duties to protect European producers under EU anti-dumping legislation[14]. Whilst the strict “non-market” classification was dropped in December 1997, the EU reserves the right to judge Chinese exports on a sector by sector basis, and will continue to impose anti-dumping duties on goods from those sectors of the Chinese economy that remain subsidised by the state[15].

Whilst the EUs stance has irked Chinese policy makers, US policy towards China has been the main focus of Chinese attention and resistance. Sino-US economic relations have been punctuated by threats of trade wars, such as the threat to impose a US$2 billion tariff on Chinese textiles, electronics and consumer goods if Beijing did not take more forceful measures to deal with piracy of intellectual property rights. Furthermore, the annual vote in Washington over whether to facilitate Chinese access to the US market by renewing China’s Most Favoured Nation (MFN) trade preferences has generated considerable unease in Beijing. These economic tensions have been exacerbated by the continued attempt by what Chinese officials perceive to be anti-Chinese senators, to link access to the US market to improvements in human rights in China. In addition, US producers have attempted to mobilise opposition to Chinese exports that are damaging domestic producers, including a less than successful producer led boycott of Chinese toy exports[16].

The WTO Debate

The necessity of retaining access to the major markets of the US and the EU for China’s export led growth were at the forefront of China’s decision to try to join GATT (now the WTO) in July 1986. Suspicion that access to Western markets might become restricted was exacerbated by the consolidation of the EU, and the development of the North American Free Trade Association. For many Chinese observers, the development of regional blocs in the West was seen as the creation of fortress economies designed to protect their members from globalising forces, and to prevent development in the third world. As a GATT member, China hoped to stabilise and formalise its access to markets in the developed world by

[14] See Niyonzima (1997).
[15] Indeed, the announcement of the relaxation in policy coincided with a request from the European Commission to impose a 49 per cent duty on Chinese silicon metal exports.
[16] The Chinese argue that if the US relaxed its restrictions on high-tech exports to China, then bilateral trade would become more balanced. It is not China that is being unfair, but the US.

receiving automatic MFN status from the US and all other member states, and by gaining access to GATT mechanisms for resolving bilateral trade disputes with the United States. Ironically, while China's bid was largely prompted by its desire to depoliticise its trade relations with the United States, Sino-US frictions have been the main obstacle to China attaining its goal.

At first sight, it might seem in the US and the EUs best interest to bring China into the WTO, and thus subject it to international disciplines and processes. However, in framing its application, and in the subsequent prolonged negotiations, the Chinese authorities have attempted to minimise the impact of membership on domestic producers and to retain significant domestic protection. There have been two main thrusts to this approach.

The first relates to whether China was joining or re-joining GATT/WTO. China could have requested to join GATT as a new member as long as two-thirds of members voted in favour. But the Chinese have always maintained that they want to "resume" its original membership that was terminated by the Taiwanese authorities in 1950. If China simply resumes its membership, then it would qualify as an existing member and be granted full membership rights. But if China joined as a new member as the major Western states argue it should, then existing members would not have to give China full access to their markets (in the same way that the Japanese were denied some benefits in 1955).

The second is over China's position as a developing or a developed nation. As a developing nation China would be subject to the generalised system of preferences which essentially allows special consideration for exports from developing states. It would also allow China to retain some import restrictions (to protect agriculture and young industries) and to provide limited subsidies for exporters.

The question of China's entry or re-entry has essentially been solved by a fudge which sees China formally requesting resumption of membership, but being treated in practice as a new member. A key element here has been the special agreement by which the United States is exempted from offering full reciprocal and special treatment to China even if it does meet the full criteria for membership. The major stumbling bloc, then, remains the question of developing or developed nation. The WTO under not only American, but also EU and Japanese, pressure insists that China join as a developed nation, which entails much stricter entrance requirements.

Chinese officials claim that they are being treated unfairly, and that their economy is already much more open than Japan's or South Korea's when they were granted entry.

This may be true, but the Cold War politics that facilitated Japanese and Korean access to the lucrative US market is not a factor in China's case. Furthermore, the Chinese economy (and Chinese exports in particular) have grown so quickly that it is now simply being too big a player to be treated as a developing nation. Or as a 1995 report in The Economist (1995) put it, "Were it any average-sized developing country, China would have been admitted years ago".

Whilst there is a wide-scale agreement amongst the major WTO actors on this regard, there are some differences in their approach to China's position. The major contrast is whether China has to meet all the established criteria before it can join, or whether some form of statement of intent will suffice. The Chinese approach is that they will make significant movement in order to join, but meet most of the requirements once entry has been achieved. Thus, although there has been a move to cut tariffs and import quotas, the remaining import restrictions will be gradually dismantled in the 12 years after it joins the WTO.

On one side of the debate, EU and Canadian negotiators accept the broad logic of the Chinese approach (if not the specifics over what counts as making significant movement)[17]. If Beijing shows its intent by cutting tariffs, reducing the state's monopoly on foreign trade, and dealing with intellectual and copyright infringement, then other requirements can be met through negotiations within the WTO[18]. But on the other side, the United States, and to a lesser extent

[17] Although the EU approach hardened during 1997 and 1998 as China's response to the Asian financial crises saw a partial retreat from liberalisation.

[18] This view also appears to be increasingly the view of the WTO secretariat itself.

Japan, insist that China must meet all its requirements **before** entry can be considered. The US Trade Representative's office at the WTO drew up "the November road-map" in November 1995 with a list of conditions that the Chinese had to meet before entry could be considered. Notwithstanding the EU approach, the US remains the dominant force within the China Working Party of the WTO, and as such, China's WTO entry remains contingent on Sino-US relations.

China's desire to join the WTO reached its peak during 1989. As noted above, this was a period when the prospect of an increasingly closed international trading system built around three blocs loomed large in the analysis of Chinese commentators. It was also a period when China's leaders were increasingly viewing export led growth as a means of maintaining growth and employment whilst simultaneously reducing domestic consumer demand and tackling inflation (or at least, demand led inflationary forces).

In a previous period of domestic retrenchment in the early 1980s, a slow-down in growth was reflected in a decline in both imports and exports (in real terms). But when the authorities again moved to slow growth in 1989, while imports again fell, exports grew by over 17 per cent in real terms. While this is partly explained by a reluctance to implement the centrally imposed retrenchment campaign by some local leaders[19], it more clearly reflects the role of export led growth as a substitute for domestic growth as a mechanism of job creation.

The Debate over Liberalisation

And it is the issue of employment – or more correctly, fears of the social and political consequences of increased unemployment – that lies at the heart of Chinese policies towards integration with the global economy. Social stability in urban China has in large part been maintained by state protection of employment. Minimising international competition and providing support for export industries has played an important role in maintaining

[19] In particular, those coastal provinces most that contributed the majority of Chinese exports (notably Guangdong) proved the most reluctant to slow growth. For details of provincial resistance to central policy in the 1980s, see Breslin (1996).

production and therefore employment in state enterprises that are perceived to be unable to compete in a competitive international system. Furthermore, the growth of new export industries, primarily through joint ventures with foreign capital, has been a significant element in creating the new jobs that the Chinese leadership perceives is essential for maintaining stability.

The government is committed to keeping the urban unemployment rate below four per cent until the end of the century[20]. Given that there are 10 million first-time entrants to the urban job market each year (Walker, 1997b), that there are already 140 million or so surplus workers in the countryside (many of whom migrate to the cities to find work), then this will be a far from easy task.

Nevertheless, there is support for further liberalisation from within China, and particularly within the central leadership itself. Chief among these "liberalisers" is China's Premier, Zhu Rongji, who previously served as vice-premier with special responsibility for re-organising China's financial systems and institutions. Whether inspired by his awareness of the perilous state of the financial drain on state and bank coffers of maintaining support for ailing SOEs, or by his previous experience as local leader in Shanghai, or perhaps simply by his ideological approach, the liberal voice is represented at the very apex of the Chinese political system.

But in many ways, the support for liberalisation amongst China's top leaders is un-representative of the feeling within the party-state as a whole, and within the broader Chinese population. While some party-state officials still oppose liberalisation from ideological standpoints, more practical and pragmatic considerations are the major cause of resistance. For example, representatives of those industrial ministries which fear they have most to lose from international competition are not surprisingly reluctant to push ahead with reform. They are supported by leaders from those geographic areas where the state owned is most heavily concentrated. For many local leaders, it is not so much a question of potential instability **if**

[20] Although this official rate hides considerable regional variations.

liberalisation proceeds, but dealing with existing problems as announcements of impending redundancies and unpaid welfare payments to retired and laid-off workers have become a common phenomenon in recent years.

On a popular level, there is considerable suspicion of the actions and motives of foreign actors which at times is manifest in a strongly nationalistic, almost xenophobic, rejection of the international system. This suspicion is fired by memories of China's treatment at the hands of foreign imperial powers in the nineteenth and early twentieth century. And there is no shortage of people prepared to evoke historical precedent as a warning of China's potential future subservience to foreign powers and interests if the path of liberalisation and integration is continued.

The extent of the popularity of this sceptical view was shown by the massive sales of the 1996 book "China Can Say No", which railed against the United States and rejecting Western ways and ideas (Song *et al*, 1996). The views expressed in this book, and in a number of similar volumes that soon appeared in the wake of the original's success, were rejected by both the Chinese leadership and by Chinese academics. It was, they argued, the work of uneducated people who did not understand the countries that they were criticising, or the nature of the international system. Furthermore, they were criticised for given ammunition to those in the West who wanted to portray Chinese development as dangerous to regional stability and the international order[21].

But the party must take some responsibility itself for this popular resistance and the re-emergence of Chinese nationalism. Whilst the party has primarily tried to build legitimacy on the back of economic success, it has also played the nationalist card, and promoted the party as the defenders of China's national interests in the face of a hostile Western world.

21 For example, see Bernstein and Munro (1998).

For example, when western powers or NGOs criticise China's human rights record the party responds by vilifying the critics for trying to impose unfair and inappropriate Western standards on China. Similarly, the United States in particular is attacked for attempting to obstruct China's economic development, and expecting China to act as a developed economy when it essentially remains a poor developing state.

In essence, the Chinese leadership wants to speak with one voice to the international community, and with another to the Chinese people. It wants the outside world to perceive China as a trustworthy partner making every effort possible to conform to international standards, and its own people to see the party as the stout defenders of China's national interests[22]. It should not be surprised that its own nationalist message is sometimes taken further than originally intended, or that this nationalist stance might make the process of liberalisation more difficult to justify to a domestic audience.

Despite the existence of considerable opposition to reform, the central party leadership appeared to come down on the side of liberalisation at the 1997 national party congress. In what some took at the time to be a decisive and final victory for the liberalisers, the central leadership announced that the residual state sector was to be restructured. Where possible, enterprises would be subjected to market disciplines in an attempt to break the chain of debt that was shackling government finances. If this meant closing those factories that were unable to compete, then so be it.

Chinese Trade and the Asian Financial Crises

The Chinese were, of course, far from alone in failing to foresee the economic crises that hit many regional states in 1997. Had they been blessed with such foresight, they might not have chosen the same year to try and restructure their own domestic economy and place an even greater reliance on export-led growth. And notwithstanding the fact that China escaped the

22 For a detailed analysis of this issue, see Hughes (1997).

worst ravages of the regional crises in 1997, the crises have nevertheless had an important impact on Chinese perceptions of globalisation.

On a very basic level, it has simply undermined confidence, and turned the positive examples of other export oriented regional states into negative examples of the dangers of liberalising too fully and too quickly. China shares many of the structural weaknesses that contributed to the crises in Malaysia, Thailand and Indonesia. It too has massive bank debts caused largely by the provision of non-performing loans to the state sector. It has invested millions of dollars in construction projects that people don't want[23]. It also has an economy characterised by **both** oversupply **and** under-capacity. For example, in 1996 half of China's industry operated at below 60 per cent capacity, while the official Jingji Ribao (Economics Daily) indicated that stockpiles of goods that can't be sold exceeded RMB500 billion Yuan (Walker, 1997a).

Indeed, one of the reasons that China didn't suffer the same fate as its regional neighbours was its relative lack of liberalisation and openness compared to other regional states. With a managed exchange rate underpinned by strict limitations and controls on currency convertibility, the renminbi was safe from attack by international speculators.

In addition, the "hot money" that foreign investors had ploughed into capital markets in South East Asia could be, and was, rapidly removed. In China, the underdeveloped nature of Chinese stock and capital markets – perhaps we should say the immature and underdeveloped nature of Chinese capitalism – had also resulted in a different structure of foreign capital flows into China. The vast majority – indeed, almost all - of foreign capital inflows into China were in long-term investment projects; it had built many more factories than it had purchased share certificates.

But in the aftermath of the crises, China's export led growth strategy began to encounter new challenges. On one level, the problems in Japan, the regions most developed state, raised the prospect of a shrinking market for Chinese exports. On another level, the collapse of currencies in South East Asia meant that China lost its competitive advantage in export prices that it had gained from its own strategic and managed devaluation in 1994.

As China's relative lack of liberalisation had provided protection from the regional economic crises, the case for abandoning such protection and moving towards a more liberalised economy lost much of its force. It also provided those sceptics within the party the ammunition that they needed to call for a re-think and a postponement, if not abandonment, of liberalisation reforms.

The Chinese leadership's response to the regional crises illuminates their perceptions of the importance of export growth. The Chinese economy has continued to register the sort of growth rates that would delight many governments – but not the Chinese government. For example, when the exports grew by 11.6 per cent in the first four months of 1998, the government organised a televised national conference to announce the news. Rather than congratulate themselves on achieving such high growth, the party leadership instead used the conference to warn of an uncertain future. Exports were still growing, but the rate of growth had slowed. Similarly, whilst foreign investment had actually increased compared to 1997, the rate of increase had also slowed considerably.

When she addressed the conference and a national audience, State Councillor Wu Yi argued that the impact of the financial crises "cannot be overestimated". She argued that export growth should not be seen as a purely economic question, but also as a key political issue as "proper export growth is critical in helping the nation reform State-owned enterprises, create jobs and promote social stability." If export growth did not increase, then "our course of opening up might also be affected" (Wang Yong, 1998).

[23] For example, less than half of the offices in the new Pudong development zone in Shanghai had been occupied by the end of 1998.

Indeed, the course of opening **was** affected throughout 1998 as the leadership postponed some promised reforms, and even reversed earlier policy. On one level, the anti-inflationary policy was replaced by a Keynsian reflation initiative built on massive investment in infrastructure projects. On another level, the long promised move towards full currency convertibility was postponed until an indeterminate future date. The authorities also restructured the futures markets in response to “excessive speculation”, reducing the number of markets from 14 to just 3, and the number of goods traded on the markets from 35 to 12.

It is notable that some of the measures aimed at reversing liberalisation policies did not come from the top party leadership, but were directly imposed at lower levels. Those who oppose the more liberal programme of Zhu Rongji have effectively taken it upon themselves to resist liberalisation. For example, some industrial ministries have re-introduced price controls to guarantee income for vulnerable producers, while many local governments have pressured local banks to loan more money to support exporter.

The central government responded to these initiatives by criticising the ministries for hampering reform, and by taking the drastic step of abolishing local branches of the People’s Bank of China[24]. It also refused to honour cover those credits arranged by the collapsed Guangdong International Trade and Investment Corporation that had not been approved and registered by China’s central bank. What we see here is a manifestation of a battle between the central leadership on one hand, and local governments and ministries on the other for control of China’s reform process – a battle that has been ongoing for much of the reform period, and is unlikely to be decisively settled for some time to come.

Conclusions

The growth of Chinese trade has been an important component in both increasing China’s international profile, and in providing stability in urban China during a period of at times bewildering economic and social change. It has also complicated the domestic debates over the wisdom or practicality of the further liberalisation of the Chinese economy. Given the importance of access to export markets for continued growth, then the voice of external actors has taken on a new importance.

China needs access to global markets to maintain its export momentum, but can ill afford to reciprocate by granting equal access to the Chinese market for external actors. And while external pressures to liberalise are unlikely to diminish, internal voices of dissent and caution have grown ever louder in the wake of the Asian financial crises.

In short, leaders are caught, like many other state elites, between conflicting demands and conflicting requirements. As Jin Bei (1997) puts it:

> “if we use protectionist policies to avoid international competition, we would not only invite opposition and retaliation from the international community, but also make it more difficult for the national industry to improve its quality; conversely, if we pursue more open policies to encourage global competition, the less competitive national industry would be in competition with powerful international capital owners which could lead to problems in the future…..
>
> In this world, it is not possible to satisfy both sides”

[24] The local branches were replaced by nine regional offices under the direct control of the bank’s central

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Table One

The Growth of Chinese Trade, 1978-1997
(billions of US$) ; Nominal=figures for that year ; Real=adjusted to common 1996US$

Year	Exports		Imports		Total		Deficit/Surplus	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
1978	9.8	23.1	10.9	25.7	20.7	48.9	-1.1	-2.6
1979	13.7	29.0	15.7	33.3	29.4	62.3	-2.0	-4.3
1980	18.1	33.8	19.5	36.4	37.6	70.3	-1.4	-2.6
1981	21.5	36.4	21.6	36.6	43.1	73.0	-0.1	-0.2
1982	21.9	34.9	18.9	30.2	40.8	65.1	+3.0	+4.7
1983	22.1	34.2	21.3	32.9	43.4	67.1	+0.8	+1.3
1984	24.8	36.8	25.9	38.4	54.5	80.8	-1.1	-1.6
1985	27.3	39.1	42.5	60.8	69.8	99.9	-15.2	-21.7
1986	31.4	44.1	43.3	60.8	74.7	104.9	-11.9	-16.7
1987	39.5	53.4	43.2	58.6	82.7	112.2	-3.7	-8.9
1988	47.5	61.8	55.3	72.0	102.8	133.8	-7.8	-10.2
1989	52.5	65.2	59.1	73.4	111.7	138.8	-6.6	-8.2
1990	64.5	76.0	54.5	64.2	119.0	147.8	+10	+11.8
1991	71.9	81.3	63.8	72.2	135.7	153.5	+8.1	+9.1
1992	84.9	93.2	80.6	88.5	165.5	181.7	+4.4	+4.7
1993	91.7	98.1	104.0	111.2	195.7	209.3	-12.2	-13.1
1994	121.0	125.8	115.6	120.2	236.6	245.9	+5.4	+5.6
1995	148.8	150.9	132.1	134.0	280.9	284.9	+16.7	+16.9
1996	151.1	151.1	138.8	138.8	289.9	289.9	+12.2	+12.2

Source: *Zhongguo Tongji Nianjian* (China Statistical Yearbook) (Beijing: China Statistical Information and Consultancy Service Centre) various years
Direction Of Trade Statistics Yearbook (Washington, D.C.: International Monetary Fund) various years

Table Two

Real Growth in Chinese Trade, 1978-1996

Prices adjusted to 1996US$

Period	Category	%Growth Rate	Average Annual %Growth Rate
1978-96	Exports	554.1	11.37
1978-96	Imports	440.1	11.02
1978-96	Total Trade	492.8	10.80
1987-96	Exports	183.0	14.00
1987-96	Imports	136.9	9.25
1987-96	Total Trade	158.4	10.89
1992-96	Exports	62.1	13.64
1992-96	Imports	56.8	14.07
1992-96	Total Trade	59.5	13.72

Source: *Zhongguo Tongji Nianjian* (China Statistical Yearbook) (Beijing: China Statistical Information and Consultancy Service Centre) various years

Direction Of Trade Statistics Yearbook (Washington, D.C.: International Monetary Fund) various years

Table Three

Alternative Views of Chinese Trade, 1996
millions of US$

First line=Chinese figures ; Second line=other country's figures

Country/Region	Chinese exports to	imports from	Chinese deficit/surplus
USA	26731	16179	+10552
	54409	11978	+42431
Canada	1616	2559	-943
	3610	2067	+1543
Australia	1637	3438	-1801
	3227	3029	+198
France	1908	2240	-332
	6029	2423	+3596
Germany	5852	7325	-1473
	11915	7225	+4690
Italy	1838	3247	-1409
	4035	2868	+1167
UK	3199	1892	+1307
	3443	1155	+2288
Japan	30888	29190	+1698
	40405	21827	+18578
Hong Kong	32904	7839	+25069
	73757	61980	+11777
South Korea	7527	12484	-4957
	8533	11486	-2953
Malaysia	1374	2246	-872
	1875	1882	-7
Singapore	3753	3613	+140
	4441	3394	+1047
Thailand	1259	1890	-631
	1953	1868	+85

Source: *Zhongguo Tongji Nianjian* (China Statistical Yearbook) (Beijing: China Statistical Information and Consultancy Service Centre) 1997
Direction Of Trade Statistics Yearbook (Washington, D.C.: International Monetary Fund) 1997

Table Four

China's Major Trade Partners, 1978-1996

Values in millions of US$ adjusted to common 1996 US$
First figure= Chinese exports to: Figures in parenthesis=imports from

Country/Region	1978	1981	1984	1987	1990	1993	1996
USA	641 (1699)	2551 (7936)	3432 (5693)	4111 (6562)	6259 (7763)	18079 (11323)	26731 (16179)
Canada	224 (1352)	308 (1985)	383 (1576)	555 (1904)	522 (1748)	1275 (1459)	1616 (2559)
Australia	278 (1685)	295 (947)	323 (1331)	404 (1798)	551 (1603)	1139 (2081)	1637 (3438)
France	419 (582)	483 (669)	343 (530)	592 (1220)	770 (1972)	1377 (1752)	1908 (2240)
Germany	778 (2427)	1415 (2266)	1133 (1868)	1659 (4246)	2340 (3415)	4229 (6449)	5852 (7325)
Italy	391 (450)	437 (583)	449 (642)	773 (1693)	1029 (1280)	1391 (2916)	1838 (3247)
UK	872 (697)	700 (397)	488 (754)	722 (1221)	859 (1629)	2053 (1772)	3199 (1892)
Japan	4051 (7316)	8046 (10480)	7648 (11954)	8673 (13687)	10848 (9018)	16750 (24817)	30888 (29190)
Hong Kong	5969 (177)	8920 (2095)	9771 (4199)	18676 (11448)	31994 (17155)	23500 (11183)	32904 (7839)
South Korea	na	na	na	na	510 (278)	3046 (5708)	7527 (12484)
Malaysia	384 (262)	324 (203)	291 (286)	346 (410)	436 (1003)	750 (1154)	1374 (2246)
Singapore	584 (108)	1115 (191)	1794 (209)	1795 (838)	2375 (1000)	2391 (2848)	3753 (3613)
Thailand	167 (174)	386 (261)	372 (279)	408 (549)	1006 (455)	799 (640)	1259 (1890)
Taiwan	na	na	na	na	377 (2655)	2388 (13774)	2804 (16186)
Africa	271 (259)	1147 (385)	806 (460)	1669 (209)	1399 (420)	1281 (788)	2077 (1405)
Middle East	801 (485)	3593 (376)	3613 (415)	3585 (379)	1684 (562)	2721 (1785)	3484 (3062)

Source: *Zhongguo Tongji Nianjian* (China Statistical Yearbook) (Beijing: China Statistical Information and Consultancy Service Centre) various years
Direction Of Trade Statistics Yearbook (Washington, D.C.: International Monetary Fund) various years

Table Five

Changing Distribution of Chinese Trade, 1978-1996

	Exports To					Imports From				
Country/Region	1978	1984	1989	1993	1996	1978	1984	1989	1993	1996
USA	2.8	9.3	8.34	18.5	17.7	6.5	14.8	13.2	10.3	11.7
Canada	1.0	1.0	0.8	1.3	1.1	5.1	4.1	1.8	1.3	1.8
Australia	1.2	0.9	0.8	1.2	1.1	6.4	3.5	2.5	1.9	2.5
France	1.9	0.9	1.0	1.4	1.3	2.2	1.4	2.4	1.6	2.5
Germany	3.5	3.1	3.0	4.3	3.9	9.3	4.9	5.7	5.9	5.3
Italy	1.7	1.2	1.4	1.4	1.2	1.7	1.7	3.1	2.6	2.3
UK	3.9	1.3	1.2	2.1	2.1	2.7	2.0	1.8	1.6	1.4
Japan	18.0	20.8	15.9	17.2	20.4	27.9	31.0	17.8	22.5	21.0
Hong Kong	26.5	26.5	41.4	24.1	21.8	0.7	10.9	21.2	10.1	5.7
South Korea	na	na	na	3.1	4.5	na	na	na	5.2	9.0
Malaysia	1.6	0.8	0.7	0.8	0.9	1.0	0.7	1.2	1.0	1.6
Singapore	2.6	4.9	3.2	2.5	2.5	0.4	0.5	2.5	2.6	2.6
Thailand	0.7	1.0	0.9	0.8	0.8	0.7	0.7	1.3	0.6	1.4
Taiwan	na	na	na	1.6	1.9	na	na	na	12.6	11.7
Africa	1.2	2.2	1.1	1.3	1.4	1.0	1.2	0.7	0.7	1.0
Middle East	3.6	9.8	2.7	2.8	2.3	1.9	1.1	1.0	1.6	2.2

1978 = status quo ante of pre-reform era
1984 = open door policy effectively takes off
1989 = anti-inflationary policy and Tiananmen incident
1993 = explosion of FDI after Deng's southern tour